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OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

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March 13, 2003

John L. Conroy
Verizon Massachusetts
185 Franklin Street
Boston, MA 02110

RE: Performance Assurance Plan Audit - D.T.E. 99-271
Final Report Letter: First PAP Audit

Dear Mr. Conroy:

On January 31, 2003, Pricewaterhouse Coopers ("PwC") issued to the Department of Telecommunications and Energy ("Department") its Report of Independent Auditors, and the Report of Management on Compliance (by Verizon) ("Final Reports") for the first annual audit of Verizon New England Inc. d/b/a Verizon Massachusetts' ("Verizon") Performance Assurance Plan ("Massachusetts PAP"). See Order Adopting Performance Assurance Plan, D.T.E. 99-271, at 33 (September 5, 2000) (established a requirement that Verizon's PAP data and reporting be audited by an independent auditor on an annual basis).¹ The audit reviewed data, calculations, and reporting for the month of May 2002.² PwC also filed with the

¹ The Department's Order establishing this audit requirement stated that the first audit was to begin six months after Verizon entered the long-distance market in Massachusetts (which was April 2001). Order Adopting Performance Assurance Plan, D.T.E. 99-271, at 33 (September 5, 2000). Due to a longer-than-expected bidding and selection process for the first audit, that audit was not begun until October 2002.

² The audit addressed three main areas: data reliability, metrics, and bill credits. Additionally, the audit tested internal controls (how Verizon administers operations) in all three of the areas. PwC examined a judgmental sample of 50 percent of May 2002 metrics, selected for coverage of the major service categories, and taking into account metrics known to be more complex.

(continued...)

Department a Summary of Examination Approach, outlining the process employed by the auditors for this audit. In the Final Reports, the auditor identified three instances of material noncompliance with the PAP, and one instance of uncertainty where the auditor could not make an assessment of a particular metric.³ The auditor concluded that, with the exception of the three instances of material noncompliance, and the one instance of uncertainty, Verizon complied, in all material respects, with the requirements set forth during the period of evaluation (May 2002).

The Department has reviewed the Final Reports and concludes that notwithstanding three instances of material noncompliance, the audit demonstrates that overall Verizon is complying with the data generation, calculation and reporting requirements, including the bill credit requirements, of the Massachusetts PAP. The three instances of material noncompliance did not impact bill credits and did not demonstrate a level of material noncompliance sufficient to constitute “backsliding” on its Section 271 obligations. Accordingly, the Department determines that no substantive changes in Verizon’s PAP processes and procedures are necessary.

²(...continued)

PwC examined a selection of wholesale metrics (and retail metrics, as necessary for verifying the values that serve as parity standards). PwC’s examination included replicating metrics in the sample, using Verizon’s data from the pull point. PwC examined bill credits by checking methodology and confirming the accuracy of data used in calculations. Subsequently, PwC replicated all May 2002 bill credits under the rules applicable, and compared the PwC results against the Verizon results.

³ PwC identified three instances of material noncompliance: “Percent change management notices sent on time” provisioning metric did not include all change management notices and confirmations; “Percent installation troubles within 30 days” preordering metric incorrectly included repeat troubles; and “Percent repeat reports within 30 days” maintenance and repair metric for UNE specials did not include repeat troubles when an initial report contained certain types of codes.

The Department will post the audit results, contained in the Final Reports, and the Summary of Examination Approach, on its web site. In addition, the Department directs Verizon to file a report with the Department identifying when it has corrected, or will correct, all observations identified on the auditors' final Observations Log.

Sincerely,

_____/s/_____
Paul B. Vasington, Chairman

_____/s/_____
James Connelly, Commissioner

_____/s/_____
W. Robert Keating, Commissioner

_____/s/_____
Eugene J. Sullivan, Jr., Commissioner

_____/s/_____
Deirdre K. Manning, Commissioner

cc. Mary Cottrell, Secretary
Paul G. Afonso, General Counsel
Michael Isenberg, Director, Telecommunications Division
Staff as Assigned